R4105-78.14F 2/82

The Conference Board

Report Number 986

Corporate Ethics Practices

An international survey of ethics codes and programs reveals:

- *nearly half of all company codes written since 1987*
- *HR and legal departments more involved in code drafting*
- *emphasis on environmental statements increasing*
- *new ethics training programs started for middle managers*

About The Conference Board

Founded in 1916, The Conference Board's twofold purpose is to improve the business enterprise system and to enhance the contribution of business to society.

To accomplish this, The Conference Board strives to be the leading global business membership organization that enables senior executives from all industries to explore and exchange ideas of impact on business policy and practices. To support this activity, The Conference Board provides a variety of forums and a professionally managed research program that identifies and reports objectively on key areas of changing management concern, opportunity and action.

The Conference Board
845 Third Avenue
New York, NY 10022-6601
Telephone 212 759-0900
Fax 212 980-7014

The Conference Board Europe
Avenue Louise
207 - Bte 5, B-1050
Brussels, Belgium
Telephone 02 640 6240
Fax 02 640 6735

The Conference Board of Canada
255 Smyth Road
Ottawa, Ontario, K1H-8M7
Telephone 613 526-3280
Fax 613 526-4857

The Conference Board℠ and the torch logo are Trademarks of The Conference Board, Inc.

Copyright © 1992 by The Conference Board, Inc.

Printed in the U.S.A.
ISBN No. 0-8237-0434-3

This document is printed on recycled paper.

Corporate Ethics Practices

by Ronald E. Berenbeim

Contents

5 FROM THE PRESIDENT

7 EXECUTIVE SUMMARY

9 CURRENT PRACTICES IN CORPORATE ETHICS
9 Key Developments in Corporate Ethics Practices
9 Greater Senior Management Concern With Ethics

11 CODES OF ETHICS AND TRAINING PROGRAMS
12 Why Companies Adopt Codes
12 Code Formats
13 Content of Individual Codes
14 Changes in Individual Codes
15 Participants in Code Drafting
17 Code Distribution Practices
19 New Ethics Training Programs

21 CONCLUSION

23 DEALING WITH PRACTICAL SITUATIONS: THREE CASE STUDIES
23 Case One: Employee Assistance Programs and a Promotion Decision
25 Case Two: Accommodating a Local Distributor
27 Case Three: Should "Questionable" Disbursements Be Investigated?

EXHIBITS
32 1. Compliance Code: The Provident Mutual Organization
34 2. Credo: United Technologies Corporation
35 3. Mission Statement: Vulcan Materials Company
36 4. Environmental Policy: Waste Management, Inc.
38 5. Environmental and Safety Operating Principles: Neste OY
39 6. Guiding Principles: The Great-West Life Assurance Company
40 7. Ethics Training Materials: Armstrong World Industries, Inc.
41 8. Setting and Meeting Ethics Program Objectives: Westinghouse Electric Corporation

About the Author

Ronald E. Berenbeim is a senior research associate in The Conference Board's Business/Education program. He is the author of 16 Board research publications and many magazine and journal articles on corporate ethics, intellectual property safeguards, employee privacy and global business organization. From 1977-88 he served as a director of Guaranty National Corporation. He is a graduate of Cornell University, Balliol College, Oxford (Keasbey Scholarship), and Harvard Law School. Mr. Berenbeim is currently an adjunct professor at New York University where he teaches business ethics.

Acknowledgments

The author thanks Laura Nash, The Institute for the Study of Economic Culture, Boston University, for her help in designing the questionnaire and for many useful comments. The author also thanks Andrew Tank of The Conference Board Europe and John Longair of The Conference Board of Canada for their assistance in obtaining European and Canadian participation.

From the President

Company programs developed to define the organization's basic ethical principles and to increase employee sensitivity to ethical issues have become more sophisticated and ambitious since The Conference Board's first examination of this subject in 1987. Efforts to formulate environmental responsibility statements and ethics discussion groups for middle managers are two examples of the expanded scope of corporate ethics initiatives.

This report expands the scope of the Board's 1987 study and provides three new case studies to illustrate how senior executives respond to practical situations that pose ethical dilemmas.

We are grateful to the executives in the United States, Canada, Europe and Mexico who responded to this detailed survey and to the senior executives who were interviewed for this study.

PRESTON TOWNLEY
President and CEO

Method

A total of 264 companies (186 U.S., 40 European, 34 Canadian, and 4 Mexican) responded to The Conference Board's survey of 1,900 firms. The median sales figure for these participants was $1 billion. Respondents to the questionnaire included CEOs, general counsels, senior human resource and financial executives, and auditors. Further interviews and discussions with The Conference Board's European Council of Bank Chief Financial Officers and its European Council on Quality provided additional insight and perspective.

Responding Companies (N=264)

Dominant Business	*Number*	*Percentage**
Manufacturer of:		
Nonconsumer products	58	22
Consumer durables	16	6
Consumer nondurables	31	12
Financial:		
Banks	31	12
Insurance/Financial services	27	10
Retail trade	8	3
Construction	2	1
Extraction	8	3
Utilities	25	9
Transportation	8	3
Broadcasting/Publishing	4	2
Restaurants/Lodging/ Entertainment	1	—
Advertising/Accounting/ Consulting	4	2
Health Care	2	1
Other	34	13
No answer	5	2

* *Because of rounding, percentage does not always add up to 100.*

A Note on Europe

The European sample includes companies from many countries. In time, with more participants from Europe, it may be possible to discuss the contrasts between responding groups from different European countries. Although some data on U.K. practices have been provided by another source, The Conference Board's sample is not large enough for extended analysis. It is worth noting that relatively few differences in practice and opinion existed between U.S., Canadian and European companies, so that analysis of practices within specific European countries, while desirable, may not be necessary.

Executive Summary

This study is designed to supplement the 1987 Conference Board study, *Corporate Ethics*. It seeks to answer many of the questions raised by the earlier report on efforts to formulate, disseminate and inculcate a company's ethical principles through the enactment of corporate ethics codes and the sponsorship of ethics training programs.

Corporate Ethics Practices reports on the prevalence of specific kinds of company ethics statements and the issues and policies they address. It discusses code revision and distribution procedures, examines board of directors ethics committees, and documents trends in company-sponsored ethics training programs. For possible use in ethics discussion groups, three new case studies and participant responses to these hypothetical examples are included. A further objective of this study, to improve the 1987 non-U.S. participation rate of 16 percent, was achieved — non-U.S. firms constitute 30 percent of this sample.

In contrast with the 1987 study's reliance on CEOs, this report also includes the views of senior human resource and finance executives, general counsels, and auditors. The greater involvement of functional department heads and the general counsel suggests that in many organizations, code formulation and ethics training programs have moved beyond the initial phase of CEO sponsorship and are now institutionalized responsibilities for certain senior executives.

The CEO remains the company's chief spokesperson on ethical issues. Nearly one-third of the responding companies (31 percent) said their CEO had issued a personal statement or formal discussion of ethics issues in 1991. The increase in CEO ethics pronouncements was particularly noteworthy in Europe (40 percent); according to some 1987 European study participants, company officials were said to be reluctant to engage in public discussion of business ethics.

Codes and Ethics Statements

Code drafting is an ongoing process — nearly half (45 percent) of the survey respondents that provided data on code adoption said they had enacted their statement since the last study was published in 1987. Codes continue to be less popular among European respondents (50 percent) and financial organizations (57 percent).

Those companies that do have ethics statements are now more willing to discuss them openly. In 1987, only a handful of respondents returned a copy of their code with a completed questionnaire. In 1991, more than one-third of the companies with ethics statements supplied them with their surveys.

These documents utilize one of three basic formats (most combine more than one of these approaches):

- Compliance codes — directive statements giving guidance and prohibiting certain kinds of conduct.
- Corporate credos — broad general statements of corporate commitments to constituencies, values and objectives.
- Management philosophy statements — formal enunciations of the company or CEO's way of doing business.

Compliance documents are the most common; 90 percent of the code companies say their statement enjoins particular kinds of employee or company behavior. Three-fourths said their code contained a credo and over half (57 percent) answered that their statement included declarations of management's business philosophy.

Content of Individual Codes

Most ethics codes (88 percent) include some statement of the company's fundamental principles. Of the nine most frequently cited specific issues in company codes, six relate in some degree to the employee's contract with the company. Purchasing guidelines (56 percent) and security of proprietary information (53 percent) — issues focused on employee honesty — were

the only specific areas of concern cited by over half of the code companies.

Three subjects outside the employer-employee contract often included in ethics statements relate to corporate social accountability — environmental, marketing, and product safety responsibility. From 1987 to 1991, other than a new or revised formulation of guiding principles, environmental concern was the most popular subject of provisions added to company codes.

Consistent with the subject matter of these documents, senior human resource executives and the general counsel's office have played a major role in the drafting and preparation of the company's ethics statements. Survey participants of the 1991 study reported much higher involvement of boards of directors and general counsels than was noted by 1987 respondents. (The earlier questionnaire did not ask about human resource participation.)

A clear trend in favor of distributing the company's code to all employees emerged among 1991 survey participants — 77 percent follow this practice, an increase over the nearly two-thirds who said they did so in 1987.

Ethics Training Programs

Almost one-fourth of the companies have sponsored new ethics training programs, ethics committees, or ombudsperson's offices since 1987. Among companies with codes, the percentage is nearly one-third because these undertakings are rare in companies without ethics statements. Such programs are less common in Europe and Canada than in the United States.

Study groups for middle managers was the most popular program initiative. Video productions and, in a few cases, board games were used in ethics discussion groups. Most training projects utilized materials developed in-house, and relied on company executives as facilitators.

Board of Directors Ethics Committees

About 10 percent of the boards of directors in the sample have an ethics committee. This practice is less common in Europe; only two European companies had ethics committees and they consisted solely of inside directors. In the United States and Canada there is a slight preference for a mix of inside and outside directors (13 companies) over limiting appointments to outside directors (nine companies). In the United States, the committee chairman is almost always an outside director (two exceptions), whereas the Canadian respondents with ethics committees were evenly divided (i.e., two have company board committees chaired by an inside director and two are headed by an outside director).

Current Practices in Corporate Ethics

The profile of participating companies suggests that corporate efforts to establish ethical accountability and to improve sensitivity to ethical issues have advanced considerably in sophistication. The degree of commitment that such programs appear to receive from top management has also increased. Whereas the CEO was the primary source of information for The Conference Board's 1987 study — within the United States — particularly among larger companies, senior human resource executives and the general counsel's office provided much of the data for this one. Outside the United States the CEO was more likely to respond to the survey on behalf of the company.

Key Developments in Corporate Ethics Practices

In all three regions, many CEOs are now commenting openly and often on business ethics. Eighty-three companies (31 percent) said that their CEO had issued a personal statement or formal discussion of ethics issues during the past year. The percentage of European company CEOs that spoke publicly on ethics was actually higher (40 percent) than the figure for U.S. respondents (36 percent). Canadian CEOs were much less likely to engage in this practice (12 percent). The frequency with which European CEOs have addressed ethics issues might be surprising to those European participants in the 1987 study who believed that European business leaders were, on the whole, more reticent than Americans on this subject.[1]

Code drafting is an ongoing process — nearly half (45 percent) of the codes discussed or submitted by survey respondents have been enacted since the last study was published. (For a discussion of the reasons for new and amended codes, see "Codes of Ethics and Training Programs," p. 11).

Codes have also become public documents. In 1987, only a handful of companies responded to the Board's request for copies of ethics statements. More than one-third (37 percent) of the companies that had codes returned the document with the current survey.

Elaine M. Martin, senior attorney, IBM, U.S. Operations, explained her company's attitude with respect to sharing its code: "IBM has had a long standing policy of making its code available to other companies. The problems that our statement addresses are not unique to the company or to the industry. However, there is currently much greater interest in ethics throughout the entire business community and everyone is trying to address the same problems and issues: How do you get management support for codes and programs? How do you implement these policies and initiatives? We think there is great value in sharing what we know and in receiving codes from companies that are also serious about addressing these questions."

Greater Senior Management Concern With Ethics

In many organizations, code formulation and ethics programs have moved beyond the initial phase of CEO sponsorship and are now part of regular departmental responsibilities — particularly in human resources and the company's legal office.

The increased interest and involvement of senior executives in the creation of ethics policies and programs is due in large measure to greater emphasis on four areas of corporate concern:

Global management issues. Companies that are new to the global marketplace, as well as those that have been active in foreign markets for many years, want to determine their company's "core" values while simultaneously showing respect for local customs and practices. Striking a balance between these competing requirements is not always easy. Survey participants also referred to three different kinds of external pressures within the international community that can further complicate a company's efforts to reconcile its core principles with local business practices: (1) industry standards of behavior; (2) demand for support of

[1] Ronald E. Berenbeim, *Corporate Ethics*, Report No. 900, The Conference Board, 1987, p. 13.

movement for social or political change (e.g., Sullivan principles); and (3) conventions or regulations promulgated by world or regional multinational organizations (e.g., protections for intellectual property).[2]

Total quality management (TQM). A successful TQM program is one in which the company defines relationships of trust with employees, customers, suppliers and local communities. The written codification of principles of accountability to these constituencies is a popular format for corporate ethics statements (see "Codes of Ethics and Training Programs," p. 11).[3]

In addition, the team structures utilized by TQM require a core of shared commitments and values to develop and to achieve high standards of production. Emphasis on cross-training and personal autonomy affirm the view of the workplace as an environment for the personal development of the company's leaders, managers, production and service workers.

Work force diversity. Along with representatives from the general counsel's office, senior human resource executives are most likely to be involved in the formulation and implementation of ethics codes and programs. The high frequency of human resource participation is due, in large measure, to the prominence of human resource issues in ethics codes, or the need within the last three years to add or revise company statements on subjects such as workplace safety, proprietary information, and purchasing (see "Codes of Ethics and Training Programs," p. 11).

The increasing tendency of companies to define the employment contract with greater specificity is a response to increased work force diversity, and the significant downsizing of corporate departments. New and less experienced workers and managers are now responsible for decisions, and the maintenance of key customer or supplier contacts previously delegated to employees with well-established records of service to the organization. These duties were once assumed within the context of a long-term commitment between employer and employee. Since the present competitive environment does not give companies the option of maintaining staffs or offering job security characteristic of pre-1980s companies, no real alternative to increasing the ethical literacy of all employees is available.

For senior executives and managers, the emerging employer-employee relationship emphasizes fair rules and opportunities rather than employment security; it treats employees as people who are embarked on a career rather than an extended period of service to the company.[4]

To some degree, the popularity of regional and national associations for workers with major responsibilities, in areas such as human resources and auditing, is a response to the changing employment contract. Many of these organizations have promulgated codes that define the requirements of professional accountability. In essence, these corporate statements are one vehicle companies use to develop their own standards of managerial responsibility.

Inadequate education and training. U.S. business leaders have expressed serious concern with the quality of public secondary education. The primary focus of this alarm has been on deficiencies in science, mathematics and literacy. However, an educational system that gets poor results in these areas cannot be expected to produce graduates with the analytic power and verbal and interpersonal skills needed to make and implement sound ethical decisions.[5]

[2] See Ronald E. Berenbeim, *Safeguarding Intellectual Property*, The Conference Board, Report No. 925, 1989.

[3] See Lawrence Schein, *The Road to Total Quality*, The Conference Board, Research Bulletin No. 239, 1990, pp. 6-7.

[4] See Dana E. Friedman, Arlene A. Johnson, *Strategies for Promoting a Work-Family Agenda*, The Conference Board, Report No. 973, 1991, p. 14; and Helen Dennis and Helen Axel, *Encouraging Employee Self-Management in Financial and Career Planning*, The Conference Board, Report No. 976, 1991.

[5] See Ronald E. Berenbeim, *Corporate Support of National Education Goals*, The Conference Board, Report No. 978, 1991; and Leonard Lund, *Literacy in the Work Force*, The Conference Board, Report No. 947, 1990.

Codes of Ethics and Training Programs

For most medium- to large-sized companies within the United States, and for a substantial but smaller percentage of non-U.S. organizations, a code of ethics or statement of accountability is the first step in stating the firm's ethical principles. Ethics discussion and training programs are often used to increase sensitivity to corporate responsibility issues raised as a result of the introduction and dissemination of company codes.[6]

Although data provided by questionnaire respondents indicate that nearly half (45 percent) of the ethics codes cited have been enacted since the 1987 Conference Board survey, these documents may have replaced existing statements. There is only a slight difference between the percentage of U.S. and European participating companies with ethics statements in 1987 and the proportion that categorized their organization as a code company in the current study (see Chart 1).

As was the case in the 1987 survey, financial firms (57 percent) were less likely to have codes than companies in other industries (82 percent).[7]

Within Europe, however, there is evidence of growing interest in codes among U.K. companies. In a 1991 survey conducted by the Institute for Business Ethics (London), 71 percent of the participants said that their organization had an ethics statement. In the Institute's 1987 survey, 55 percent of the respondents said they had codes.[8]

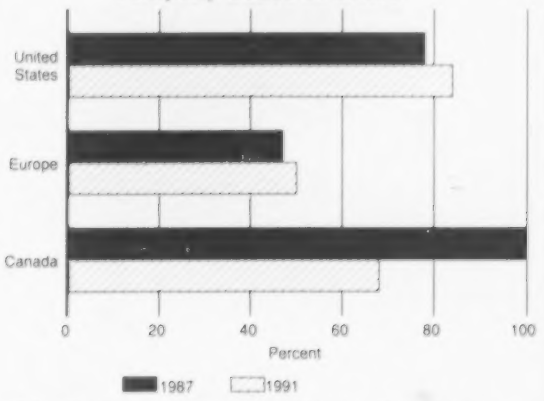
There is a significant difference among Canadian responses in the two studies. All 16 Canadian participants said they had codes in 1987 and only 68 percent (23 companies) noted that their company had an ethics statement in the 1991 questionnaire (see Chart 1). This finding may be due to the larger number of Canadian respondents in the 1991 survey.

In sum, within the regions and countries surveyed, company attention to ethics statements since 1987 has been characterized primarily by vigorous activity in rewriting and amending. However, other than possibly in the U.K., there is little evidence that many minds have changed in the ongoing debate on whether a company ought to have such a document in the first place.

Outside the U.S., Canada and Europe, there is growing Japanese interest in the importance of company standards of ethics and greater managerial "self-discipline." In an August 1991 survey, conducted by Keidanren (Japan Federation of Economic Organizations) in the wake of banking and securities scandals, 252 senior executives of member corporations (e.g., directors, committee and subcommittee chairmen) regarded well established internal standards of accountability and "self-discipline" (68 percent) as a more important check on potential company misconduct, than such external measures as "strengthening the functions

Chart 1:

Regional Prevalence of Company Codes of Ethics*



* Four Mexican responses are not included because Mexico did not participate in 1987, and this year's response was too low to draw meaningful conclusions about the prevalence of codes in Mexico.

[6] Forty-four percent of the 1987 survey participants use ethics training programs to supplement their codes. See Ronald E. Berenbeim, *Corporate Ethics*, Report No. 900, The Conference Board, 1987, pp. 17-18.

[7] Berenbeim, *Corporate Ethics*, p. 14.

[8] Simon Webley, Business Ethics, Company Values and Codes: Current best practice in the United Kingdom, Institute of Business Ethics, to be released in March, 1992.

of shareholder meetings" (14 percent) and "making positive use of the system of outside directors (28 percent)." These Japanese senior executives also favored "improving intracompany auditing functions" (52 percent) and "better public disclosure" (42 percent) as effective practices and policies for improving corporate ethical performance.[9]

Why Companies Adopt Codes

Five reasons are often cited for adopting codes: (1) they generate discussion as to what constitutes ethical conduct in carrying out company business; (2) in turn, discussion helps achieve a consensus on appropriate behavior; (3) written enactment reinforces understanding of and commitment to company standards; (4) dissemination of statements communicates expectations and consequences for non-compliance; and (5) code drafting determines core principles applicable to the regions and industries in which the company is active.

Although there is considerable support for these views, particularly among U.S. business leaders, acceptance of this rationale for formulating company codes is far from universal. While 84 percent of the U.S. respondents have codes, only 58 percent of non-U.S. participants have them (see Chart 1).

Companies that do not publish their ethical principles often believe that such an exercise is unnecessary. Such companies feel that ethics statements and programs only duplicate practices and policies already in place. W.G. Byrnes, Head of Corporate External Affairs, Unilever PLC, while not discounting the contribution codes can make, argues that "a strongly ethical outlook and high ethical standards" are not necessarily derived from "the operation of a set of specialized formal procedures."

Citing the company's internal audit procedures and its strict product and workplace safety standards as examples of the company's "standards of integrity," Byrnes notes that the company does not have "a set of separate 'ethical' procedures superimposed upon the standards that we consider to be part of operational management practice."

A variant of this argument is that an organization's values are a product of its culture; therefore, codes have a limited impact on employee behavior — particularly in a company as old as Unilever: "We would regard decent standards of behavior — to employees, customers and society at large — as having much more to do with attitudes and culture than a superimposed administrative ethical framework."

This view is supported by research findings that written codes do not decrease the number of corporate violations of the law. Researcher M. Cash Mathews compared 202 manufacturing companies utilizing codes with 104 that did not have ethics statements. According to her findings, code organizations were just as likely to be convicted of illegal acts as those that did not have declarations of ethical principles.[10]

Code Formats

Codes furnished to The Conference Board in current and earlier surveys and requests utilize one of three basic formats (most codes combine more than one of these approaches):[11]

- Compliance codes: directive statements giving guidance and prohibiting certain kinds of conduct (see Exhibit 1, p. 32).
- *Corporate credos:* broad general statements of corporate commitments to constituencies, values and objectives (Exhibit 2, p. 34).
- *Management philosophy statements:* formal enunciations of the company or CEO's way of doing business (Exhibit 3, p. 35).

Among the 201 responding code companies, compliance codes are the most common format. Over 90 percent say that their company's statement enjoins particular kinds of employee or company behavior.

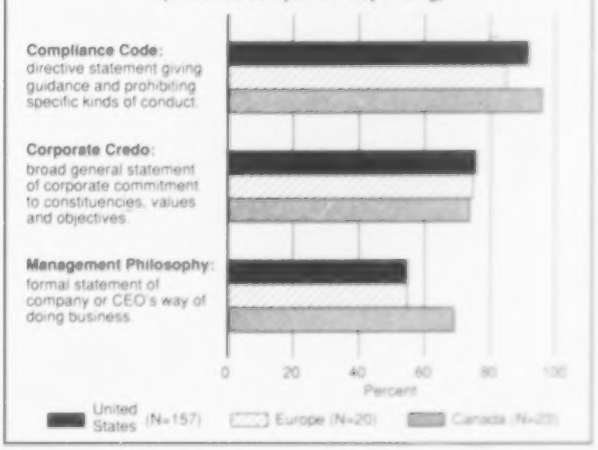
Three-fourths (151) of the participating code organizations say their statement is a credo that explicates the

[9] *Keidanren Review*, No. 131/October 1991, p. 4 (survey results have been rounded).

[10] For a discussion of the Mathews research and other arguments for and against codes, see Ronald E. Berenbeim "An Outbreak of Ethics," *Across the Board*, May, 1988, pp. 15-19.

[11] The 1987 survey followed earlier Conference Board requests for codes that date back to the 1970s. This collection of documents is known as the Watson Collection. Berenbeim, *Corporate Ethics*, p. 16.

Chart 2:
Formats Utilized in Ethics Statements
(200 code companies responding)



company's accountability to its key constituencies (e.g., employees, customers, suppliers). Management philosophy declarations are the least common format; still, more than half (114) of the code companies have this type of statement, and Canadian firms are more likely to use them than are U.S. or European firms (see Chart 2).

Survey responses indicate most codes are hybrid versions of more than one format. Only 17 companies said their statement was limited to compliance directives, and no organization relies solely on a corporate credo or management philosophy format. Ninety-eight companies utilize all three approaches, and 31 have both a compliance code and a corporate credo. Other combinations are rare — compliance and management philosophy statements are favored by five companies, and only one respondent uses a credo and management philosophy approach.

While four participants said their company's statement was formulated prior to 1920, nearly half of the codes currently in use by survey participants (45 percent) — and for which the adoption date was provided — have been enacted since the Board's 1987 report.

Of the three statements, the compliance code is likely to have been in existence the longest. The median date of adoption for compliance statements is 1985. The median year for adopting credos was 1986. An organization's management philosophy statement is likely to be newer — over half of them have been enacted since 1987.

The 1987 report found that code drafting was "a dynamic process" — 56 percent of responding companies had amended their codes within three years prior to the 1991 survey.[12] The current survey responses showed an almost identical tendency to amend statements — 59 percent of the subject codes were changed within the three-year period prior to the survey; but companies were more likely to amend certain kinds of statements. Nearly two-thirds of the compliance codes had been revised, while slightly more than half of the management philosophy statements had been changed.

Content of Individual Codes

Study participants were asked to indicate which of 13 subjects were included in their ethics statements (see Chart 3). Most ethics documents (88 percent) include some formal statement of the company's fundamental principles. Nine specific issues in codes were named by more than 66 companies. Among these, six relate in some degree to the employee's contract with the company. The prevalence of such concerns virtually guarantees the heavy participation of human resource managers in the formulation, dissemination, assessment, and revision of company ethics statements and programs. Purchasing guidelines (56 percent) and security of proprietary information (53 percent) — issues focused on employee honesty — were the only specific areas of concern cited by over half the code companies.

Of the remaining human resource-oriented issues, three acknowledge company commitments to the employee (workplace safety, confidentiality of employee records and employee privacy [13]), and one focuses on

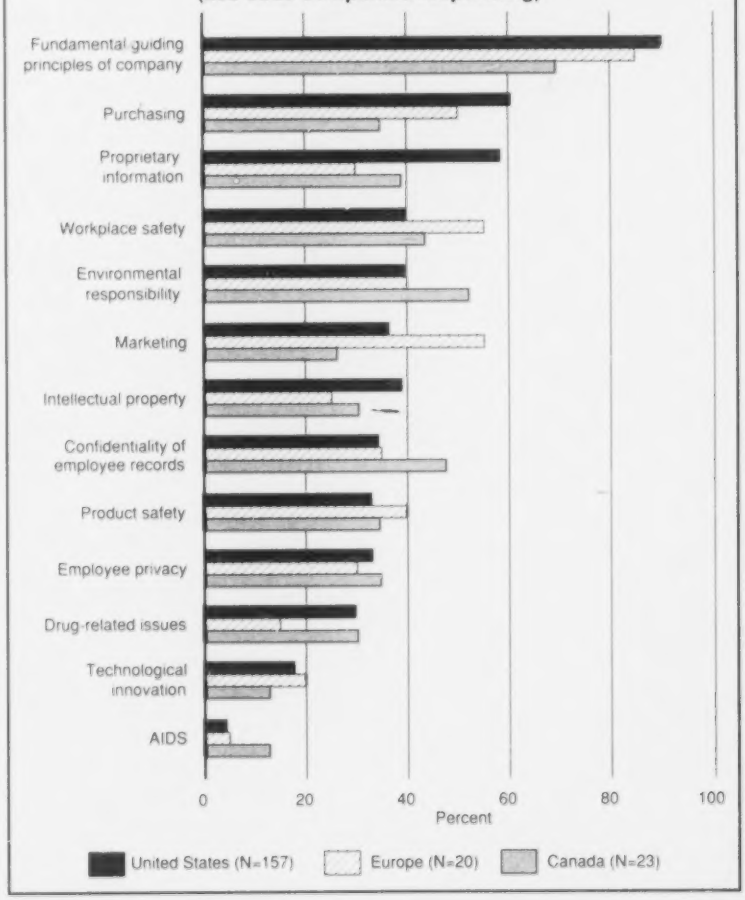
[12] Berenbeim, *Corporate Ethics*, p. 14.

[13] For a discussion of employee privacy issues, see Ronald E. Berenbeim, *Employee Privacy*, Report No. 945, The Conference Board, 1990.

Chart 3:

Issues Addressed by Company Ethics Statements

(200 code companies responding)



employee obligations (intellectual property safeguards [14]). The three remaining major subjects relate to corporate social accountability — environmental, marketing, and product safety responsibility (see Chart 3).

There are few regional variations in subject matter. Codes in the U.S. are more likely to include sections on the security of proprietary information; workplace safety is a more frequent subject of European ethics statements; fundamental guiding principles are much less common in Canadian ethics statements, but policies regarding environmental responsibility and the confidentiality of employee records are more likely to be included (Chart 3).[15]

Respondents from all regions cited three categories of problems addressed by their ethics statements which were not included in the questionnaire: (1) employee "outside activities" (e.g., consulting income, political activity and contributions); (2) fair conduct toward competitors; and (3) inappropriate gifts.

Changes in Individual Codes

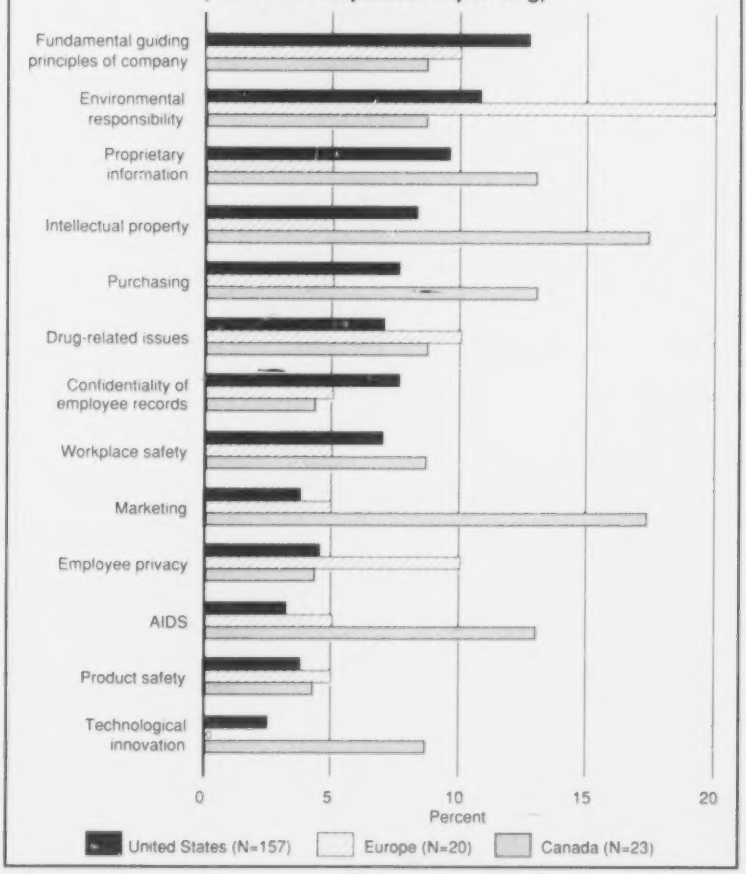
In the three years prior to the current survey, 24 companies addressed the organization's fundamental guiding principles through provisions added to their codes. Environmental responsibility was the only other subject added to more than 10 percent of the codes (23 companies).[16] (For examples of environmental accountability statements, see Exhibits 4 and 5, pp. 36-38.)

Safeguards for proprietary information (19 companies) and intellectual property (18 companies) were also frequent subjects of new code provisions (see Chart 4). The interest in environmental problems, and the security of proprietary information, is consistent with survey findings in the 1987 study in which participants rated these topics as "ethical issues that require additional attention." However, the 1987 issue most often cited requiring further attention — employee health screening for problems such as drug abuse (15 companies) and AIDS (9 companies) — was less frequently addressed by additions to company codes in the current study (see Chart 4).

Code revisions were much less common than additions. Outside the United States additions were practically unknown. Drug policies (11 companies) and security of proprietary information (10 companies) were the most frequent subjects of change.

A specific internal incident was the most frequently cited reason for code additions and revisions. These incidents were not necessarily cases of employee ethical misconduct. For example, one European company cited a total quality management initiative. Another European firm commented on the need to develop standards of professionalism for company managers. Other respondents noted the growing importance of issues such as environmentalism or plant safety for their organizations. A new CEO, or legislation such as the 1977 Foreign Corrupt Practices Act (amended, 1988), the 1989 Ethics Reform Act, and the 1985 Bank Bribery

Chart 4:
Subjects Added to Company Ethics Statements Within the Last Three Years
(200 code companies responding)



[14] For a discussion of intellectual property safeguards, see Ronald E. Berenbeim, *Safeguarding Intellectual Property*.

[15] Interest in confidentiality of employee records may be due to the requirements of Canada's Privacy Act. See Berenbeim, *Employee Privacy*, Report No. 945, The Conference Board, 1990, pp. 1-2.

[16] For a discussion of current corporate environmental concerns, see Barbara H. Peters and James L. Peters, eds., *Corporate Stewardship of The Environment*, Report No. 981, The Conference Board, 1991.

Act were the next most likely reasons for code amendment or revisions (see Chart 5).

More detailed comments suggest many of the changes were due to insistent demands from the company's leadership. The CEO was mentioned most often in this regard, but other interested parties included the general auditor, the chief financial officer, the human resource staff, and the senior management group.

The increasing involvement in global markets, particularly among U.S. companies, has also given rise to company efforts to define core principles. As one participant put it: "We are becoming increasingly global. As we do a larger share of business outside the United States, there is a need for a code as a focal point."

Participants in Code Drafting

Respondents to the 1987 survey were asked about the involvement of five different potential participants in code drafting: (1) founder or member of founder's family; (2) board of directors; (3) top management; (4) legal department; and (5) consultants. The level of involvement of the founder or founding family members, top management, and consultants among 1991 survey participants is little changed from the 1987 figures. Respondents to the 1991 survey reported much higher participation levels in code drafting for the general counsel (78 percent) and the board of directors (41 percent) (see Chart 6). See adjacent box for a list of companies that have an ethics or social responsibility committee of the board of directors, and box on p. 16 for discussion of their role in ethics programs. General counsels are especially active in the United States (84 percent) and boards of directors are used extensively in Europe (60 percent).

Companies That Have a Board of Directors Ethics or Social Responsibility Committee

A.B.B. Lummus Crest Inc. (United States)
The A.R.A. Group, Inc. (United States)
Avery Dennison Corp. (United States)
R.R. Donnelley & Sons Co. (United States)
Farmland Industries, Inc. (United States)
General Mills, Inc. (United States)
KPMG (The Netherlands)
Levi Strauss Associates Inc. (United States)
Martin Marietta Corporation (United States)
Millipore Corporation (United States)
Montreal Trust Company (Canada)
Polaroid Corporation (United States)
Provigo Inc. (Canada)
Texaco Inc. (United States)
Union Bank of Finland Ltd. (Finland)
Warner-Lambert Company (United States)
Westinghouse Electric Corporation (United States)
Zurn Industries, Inc. (United States)

The current questionnaire also solicited information about the inclusion in the code drafting process of high-ranking executives from functional departments (e.g., human resources), worker representatives, or randomly selected groups of employees. The United States, Europe and Canada have very different patterns of executive and employee involvement in code formulation (see Chart 7). These contrasting approaches reveal

Chart 5:
Reasons for Additions/Revisions of Company Ethics Statements
(200 code companies responding)

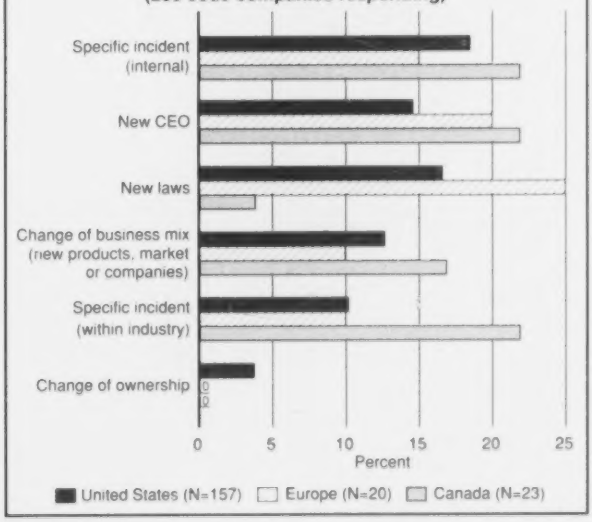
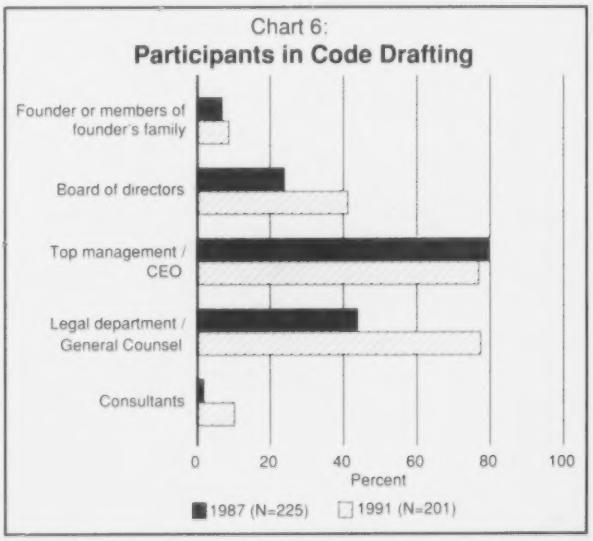


Chart 6:
Participants in Code Drafting



Board of Directors Ethics Committees

Nearly 10 percent of the boards of directors in the sample (24 companies), have an ethics committee. This practice is less common in Europe where only 2 out of the 40 surveyed companies have them. With the exception of one Canadian firm, all of these organizations also have ethics statements.

The composition of these committees varies by region. The two European bodies have only inside directors. In the United States and Canada, there is a slight preference for a mix of inside and outside directors (13 companies) over limiting appointment to outside directors (nine companies). No U.S. or Canadian board ethics committee consists solely of inside directors.

In the U.S., the chairman is almost always an outside director (two exceptions), whereas the Canadian respondents with ethics committees were evenly divided (i.e., two company board committees are chaired by an inside director and two are headed by an outside director).

The purpose of these committees varies widely from fairly narrowly defined charters to broader grants of jurisdiction. One of the more expansive descriptions was provided by a U.S. defense contractor that said its committee "consider[s] all proposed policy which impinges on ethics." The narrower view generally confines the committee's focus to conflict of interest questions.

A number of U.S. respondents gave specific examples of the policy subject matter that falls within the purview of a broadly defined committee charter: (1) social responsibility; (2) safety; (3) environmental, or (4) human resources. The most comprehensive range of concerns for a board ethics committee was cited by a Canadian company — fair employment, recruiting activity, individual rights, human resources, and environmental issues.

Many board ethics committee have extensive responsibilities to review sensitive company matters. Practices and transactions cited in this regard are audits, status of pending litigation, reports of policy violations, and the adequacy of financial information.

Finally, some board ethics committees exercise oversight for the organization's ethics training programs, and updates of the company's code. (For an example of a board of directors ethics committee charter, see below.)

Westinghouse Electric Corporation: Ethics Committee Charter

The Ethics Committee shall provide a general review and shall address all issues concerning or relating to ethical conduct by the Corporation and its employees in all phases of the Corporation's activities. To accomplish its purposes, the Committee shall:

a) Review activities of the Corporation and its employees relevant to the Westinghouse Code of Business Ethics and Conduct, and the continuing program established by management and administered by the Corporation's Ethics Office in order to promote the highest standards of business ethics for the Corporation.

b) Review matters relating to education, training and communications in connection with the Corporations's Code of Business Ethics and Conduct and related ethics programs.

c) Review other issues involving ethics as they relate to the Corporation's mission, relationship to its constituencies, policies and procedures, or any other matter the Committee deems appropriate.

d) Retain and consult with any advisors or consultants it deems necessary or appropriate, including the Corporation's General Counsel and its independent accountant, in all matters relating to business ethics.

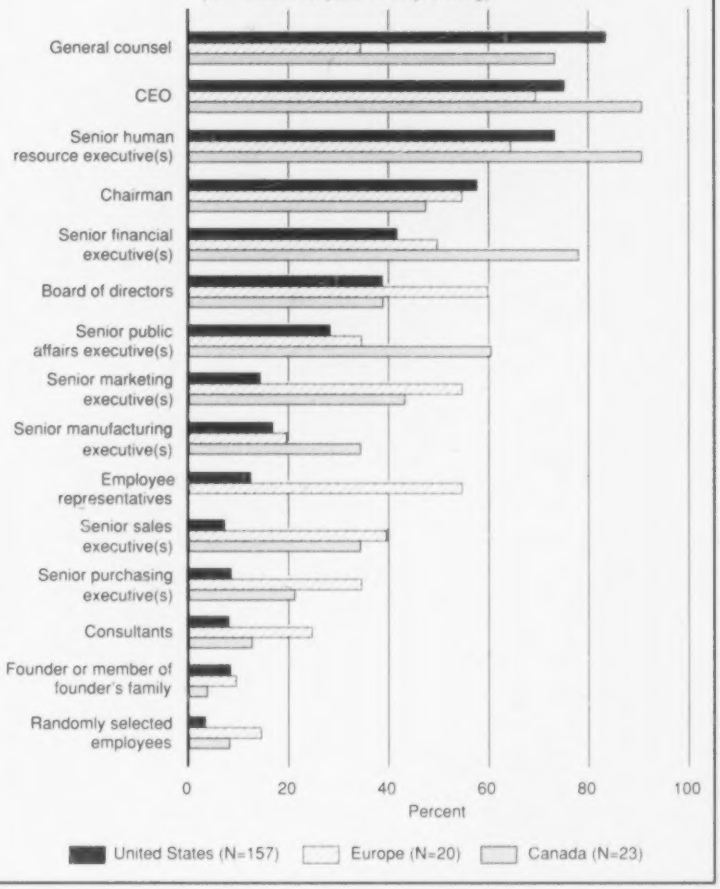
e) Present to the Westinghouse Board, as appropriate, such measures and recommend such actions as may be necessary or desirable to assist the Corporation in conducting its activities in accordance with the highest standards of business ethics, and provide to each director a copy of the minutes of each Ethics Committee meeting.

f) Annually review this Charter and, as appropriate, recommend amendments to the Westinghouse Board.

Chart 7:

1991 Participants in Code Drafting

(200 code companies responding)



potentially divergent views among U.S., European, and Canadian responding companies as to the primary nature and purpose of a corporate ethics code.

The United States: the code as a legal document. The near universal inclusion of the general counsel (84 percent) in U.S. ethics code deliberations suggests that many U.S. companies believe their codes require the same careful drafting used in legal documents. These statements may have underlying legislative or administrative compliance purposes (particularly among defense contractors) or enforcement mechanisms (e.g., provisions to protect proprietary information or intellectual property).

The heavy reliance on top human resource executives may be due to the tendency to address aspects of the employer-employee contract in adding to or revising provisions in corporate ethics statements (see Chart 3).

Europe: the code as a social compact between the company and its workers. In contrast to the U.S. pattern, only 35 percent of European companies consult their general counsel in code drafting (see Chart 7). They are more likely to discuss code issues with employee representatives (55 percent). This procedure is used by very few U.S. companies (13 percent). Although the prevalence of codes among survey participants is lower in Europe than in the United States or Canada, there may be an effort among those companies that do have them to use ethics statements to develop uniform standards that are in harmony with European Community (EC) directives on employee rights and corporate social responsibility (see box, p. 18).

European companies also reported higher levels of involvement in code formulation by senior marketing, sales and purchasing executives (see Chart 7). This finding may reflect a special European concern with these issues during the years 1987-91. Finally, a larger percentage (25 percent) of European companies used consultants in code drafting.

Canada: the code as a collaborative effort between the CEO and senior executives of major functional departments to set forth company's basic principles. In code formulation, Canadian companies were more likely to involve the CEO (91 percent) and senior executives from major departments such as human resources (91 percent), public affairs (61 percent), and finance (78 percent). Inclusion of the general counsel is also fairly common (74 percent), but the involvement of consultants is rare (13 percent). Employee representatives did not participate in code deliberations with any of the responding companies.

Code formulation in Canadian companies appears to be a collegial process that involves the heads of many major departments (see Exhibit 6, p. 39). Rather than serving as a compliance or enforcement mechanism, or as an element in the social contract, the drafting of Canadian codes may be part of a process that seeks to achieve consensus on the company's common principles and purposes.

Code Distribution Practices

There is a clear trend in favor of distributing the company's code to all employees. In 1987, nearly two-thirds of the responding code companies gave it to all their employees.[17] Among 1991 survey participants, 77

[17] Berenbeim, *Corporate Ethics*, p. 17.

Dow Europe: Using a Corporate Vision Statement for Strategic Direction

Dow Chemical Company's Vision statement is intended to provide local units with a "clear operating philosophy and strong management principles." While the vision states the company's overall strategic direction, "individual units are encouraged to interpret and implement this strategy to achieve particular goals."

The most recent version of Vision was enacted in 1989; it represents the latest in an ongoing process of refinement and discussion of core principles that are about 25 years old (see "Dow Core Values"). Dow Europe has made extensive use of Vision. It has been distributed to more than 3,000 employees throughout Europe and translated into local languages for country-wide operations. Vision has been used by company planners to define Dow Europe's contribution to the company's financial goals and to secure for European operations a larger commitment to research in Europe.

In a series of discussions, senior executives of Dow Europe explained how individual operating departments had interpreted and implemented Vision within the company's European operations.

Vision's strategy cites people as one of its "five integral elements" (see "People"). Dow Europe is no less committed to this particular aspect of Vision than the parent company, but the organization's senior human resource executive thinks that "on purely human issues, European and U.S. employees do not have exactly the same concerns." For example, most European countries have extensive protections for job security. Even so, these safeguards have not always been helpful: "Restructuring in Europe has been quite brutal. The loss of jobs has been dramatic in steel, coal, automobiles, fibres, and chemicals."

The Dow Vision offers a timely response to these current restructuring anxieties. Since its original formulation over 25 years ago, Vision has emphasized the company's determination to "foster an environment in which people look forward to change and are committed to improvement through a life-long pursuit of continuous personal development." Dow seeks to expand its employees' horizons through training and development programs, and other opportunities that encourage initiative, entrepreneurialism, and decentralization of responsibility and authority.

Many European human resource planners do not yet share the major U.S. concern with work force diversity. With the possible exception of the influx of women in some regions and industries, these managers believe that the overall demographic mix of most work forces is not likely to change dramatically. With respect to human resource issues, Dow Europe is confident that the basic commitments outlined in its strategic principles can be applied anywhere and that the personnel practices of all Dow units "would be in harmony with the European social charter."

Similarly, Dow Europe seeks to establish manufacturing and safety policies that enable the company to operate in every country. In practice, achieving this objective means "ignoring the problems that Southern Europe has in catching up with the more environmentally conscious northern countries." Developing uniform standards based on the requirements of advanced jurisdictions means that certain locations are unsuitable. Commenting on this point, the General Counsel said, "We would not invest in a country where we can't ensure that our own standards are met."

Dow Core Values

If you can't do it better, why do it?

H.H. Dow, Founder

Long-term profit growth is essential to ensure the prosperity and well-being of Dow employees, stockholders, and customers. How we achieve this objective is as important as the objective itself. Fundamental to our success are the core values we believe in and practice.

***Employees** are the source of Dow's success. We treat them with respect, promote teamwork, and encourage personal freedom and growth. Excellence in performance is sought and rewarded.*

***Customers** will receive our strongest possible commitment to meet their needs with high quality products and superior service.*

***Our Products** are based on continuing excellence and innovation in chemistry-related sciences and technology.*

***Our Conduct** demonstrates a deep concern for ethics, citizenship, safety, health and the environment.*

People

Our employees are the source of Dow's success. We treat them with respect, promote teamwork, and encourage personal freedom and growth. Excellence in performance is sought and rewarded.

We will foster an environment in which people look forward to change and are committed to improvement through a life-long pursuit of continuous personal development.

We will emphasize respect for the individual through:

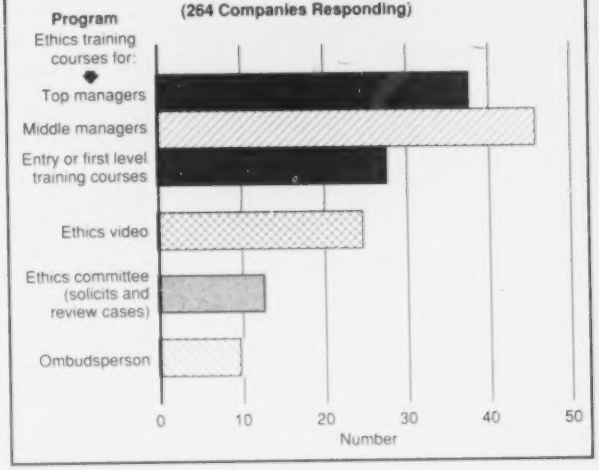
- Encouragement of entrepreneurialism.
- Training and development programs.
- Decentralization of responsibility and authority.
- Liberation and utilization of talent and experience.
- Recognition of individual initiative in the achievement of team success.

percent followed this practice. (The figure for Canada (83 percent) was slightly higher than the U.S. or European percentages.) Twenty-two percent of the code company respondents limit distribution to top and middle-managers (down from over one-third in 1987), and just a handful (three companies) give the code only to top managers.

Distribution to employees in overseas divisions is common, but not universal — 72 percent of the survey participants engage in this practice. Canadian companies are somewhat less likely to disseminate codes in this manner than are U.S. or European organizations.

European companies are more likely to modify these documents for use outside the home country (25 percent) than are U.S. (14 percent) or Canadian organizations (13 percent). In fact, nearly half (45 percent) of the European companies have branches, subsidiaries or divisions that have their own codes. This practice is much less common in U.S. and Canadian firms.

Chart 8:
Ethics Programs Sponsored Within the Last Three Years
(264 Companies Responding)



New Ethics Training Programs

One-fourth of the responding companies (66) have established new ethics training programs, ethics committees, or ombudsperson's offices during the last three years. For code companies, particularly in the United States, the percentage is one-third, because only four organizations that did not have ethics statements sponsored such initiatives.[18] New ethics programs were also much less common in Europe and Canada — only 12 companies (16 percent) inaugurated them prior to the survey.

Training courses utilize a variety of formats. Some are limited in scope to discussion of the company's ethics statement; others seek to promote ethical sensitivity through Socratic exercises that require participants to analyze case studies that present commonplace ethical dilemmas.

Survey respondents say that the major area for new program initiatives has been study groups for middle managers. One-fourth of the U.S. code companies and one-fifth of the European code organizations started new ethics training courses for this category during the past three years. (The practice was less common in Canada — 13 percent.) (For an example of company-developed ethics study materials, see Exhibit 7, p. 40.) Many new initiatives for top managers (38 companies) and entry-level employees (28 companies) were also begun, and ethics videos were popular (25 companies). Ethics committees and ombudsperson's offices were less frequent additions to company ethics programs (see Chart 8). To track these corporate initiatives, Westinghouse issues an annual report on its ethics program that contains charts showing the program's achievements during 1989 and its plans for 1990 (see Exhibit 8, p. 41).

Citicorp's board game "The Work Ethic" is a novel approach to in-house ethics education. The game offers over 100 questions that differ depending on job, industry and geography. Several answers are permissible, but one is awarded most points for being "best." After teams vote on the answer, the facilitator plays devil's advocate and challenges the players on all points. The "senior management appeals board," a team of three-to-five senior managers, can overrule or allow any decision reached by a team. Their participation improves employee awareness that top managers are knowledgeable about ethics, and approachable if advice is needed.[19]

Most company ethics training projects utilize materials developed in-house and rely on company executives as facilitators. The exceptions are top-manager discussion groups and ethics videos. Still, over two-thirds of the new programs in these categories were generated by the company and use the organization's own employees as discussion leaders.

[18] The 1987 survey found that 19 percent of the non-code companies had some kind of ethics training or discussion program (compared with 44 percent of code companies). Evidently, new efforts or serious modifications of old programs are rare among companies that do not have the ongoing discussion that an existing code can provoke. See Berenbeim, *Corporate Ethics*, pp. 17-18.

[19] For more about "The Work Ethic" board game, see Terry Brothers, ed., *Corporate Ethics: Developing New Standards of Accountability*, R-980, The Conference Board, 1991, pp. 27-29.

Conclusion

Once regarded as a reactive phenomenon to deflect cyclical outbursts of public distrust of business institutions, corporate ethics codes and programs now enjoy a broad base of support within individual companies.

The current corporate commitment to ethics codes and programs appears to be driven in large measure by internal needs and, as de Tocqueville defined ethics, "self-interest, rightly understood."

Four issues of great importance to senior managers are: the degree of personal responsibility and accountability that total quality management (TQM) demands; the need to define core company principles when doing business in a global environment; managing a more diverse work force; and the poor level of preparation available in public school education. Each of these concerns suggests companies need to pursue an active role in helping their employees to achieve a high level of ethical literacy.

Evidence of this awareness can be seen in the participation of heads of major departments (e.g., human resources, finance) in the formulation of ethics codes and statements. The increasing involvement of general counsels suggests that codes are viewed as legal documents which establish the accountability of the company and its employees to one another and to the general public.

With respect to actual content, the 1991 survey findings show that elements of the employment contract (e.g., employee honesty, workplace safety) are the specific subjects most often discussed in codes. This focus explains why (along with the CEO and the general counsel) the company's senior human resource managers are usually involved in code drafting.

Companies are also recognizing that in addition to stating their ethical principles, they need to sponsor programs that help employees develop a sensitivity to and awareness of ethical issues. One-fourth of the participating companies started new discussion programs (among code companies the percentage was higher — nearly one-third). Training sessions for middle managers were the most popular initiative in this regard. Most of these projects utilized materials developed in-house, and relied on company executives as facilitators.

None of this documentation of company effort and commitment suggests that business institutions have become more or less ethical. What these data do affirm is that senior managers now recognize that dealing with ethics issues is part of nearly every employee's job. When the company has a broad-based, institutionalized process for formulating its core principles — supplemented with ethics discussion groups — it is helping employees to do their jobs better.

Dealing With Practical Situations: Three Case Studies

To illustrate how senior managers of responding companies would analyze specific situations that might involve ethical issues, participants were asked for their views on three hypothetical cases. They were also asked whether each situation involved ethical as well as business considerations.

Participants were asked for their own views rather than for statements of their company's policy. They also ranked (1, 2 or 3) the three reasons (from a list of six) that most influenced their thinking. Finally, they were asked to choose from various policy options for dealing with the problems raised by the hypothetical case. Approximately one-fourth of the participants commented on each problem and many of these observations follow. Except in those situations where it is indicated, there were few differences between U.S., European and Canadian respondents.

Though the facts presented correspond to no individual company or occurrence, each case depicts real issues encountered by managers and those who research business practices. The cases presented and the questions asked are reprinted in their entirety. Each text is followed by a discussion that includes tabulation of the responses and representative comments by participants.

Case One: Employee Assistance Programs and a Promotion Decision

Archer Corporation has an Employee Assistance Program (EAP) that offers counseling for alcohol and substance abuse, mental and psychiatric problems.

In 1985, Bob Spicer, a 15-year sales staff veteran and frequent winner of annual performance awards, told his boss, Joe Sampson, "I have been drinking a lot because I am depressed about my personal problems." Sampson referred him to the EAP. Before, and since that time, Spicer's job ratings have been consistently superior. The company does not have access to his medical records and does not know whether he ever obtained or is currently receiving counseling for depression. Joe Sampson, the manager whom Spicer consulted, is now CEO of Archer.

In November, 1990, Spicer applied for the high stress position of vice president, sales, a job for which his performance merits serious consideration. In reviewing his qualifications:

Table 1: Case One Responses*

	Number	*Percent of Responses*
1. *Sampson should (check one):*		
Ask Spicer if he is still "depressed"; his response is relevant to whether he qualified for the job.	92	37%
Not discuss the issue with Spicer; but his complaint of being "depressed" should be a factor in considering him for the job.	3	1
Ignore Spicer's 1985 "depression" complaint because his performance has been excellent and his personal problems are irrelevant in making the promotional decision.	82	33
Exclude the "depression" incident from consideration in the promotional decision because it occurred more than five years ago.	74	29
2. *In making his decision Sampson (check one):*		
Is confronting ethical as well as business considerations.	173	72
Can resolve the issue by limiting discussion to standard personnel policies.	67	28
3. *Archer's policy with respect to known employee health complaints should be to (check one):*		
Exclude use in making any assignments or promotions.	13	5
Consider them when performance related.	181	74
Consider if performance related, but exclude if they occurred more than three years ago.	50	20

** Because of rounding percentages do not always add up to 100.*

Case One: Discussion

The respondents were very closely divided between three different approaches to deciding the Spicer promotion. A plurality (37 percent) favored asking Spicer if he was still "depressed" because it is relevant to whether he is qualified for the job. Despite the relevance of the depression incident, nearly two-thirds of the sample (62 percent) would ignore it for one of two reasons. Thirty-three percent would not allow the 1985 depression complaint to be a consideration because of Spicer's excellent performance and the irrelevance of personal problems in making promotion decisions. Twenty-nine percent would ignore the "depression" incident because it took place more than five years ago. Only three respondents (1 percent) would allow the "depression" complaint to be a factor without discussing it with Spicer (see Table 1).

Nearly three-fourths (72 percent) of the respondents said that the case raised ethical issues and could not be resolved by limiting the discussion to standard personnel policies. European companies were somewhat more likely to hold this view (83 percent), and Canadian respondents (60 percent) were less likely to feel that Archer confronted ethical as well as business issues in considering Spicer for a promotion.

The three principles most often cited as controlling in deliberations over Spicer's promotion were: (1) Spicer's performance record; (2) general principles of fairness; and (3) relevance of "depression" to job requirements (see Table 2).

Comments show that many participants saw a close relationship between these three factors. Some saw Spicer's performance as a clear indication he was no longer "depressed," and information about the 1985 episode was no longer relevant. Others believed the "fairness" rationale imposed an obligation on the company to discuss with Spicer whether he now felt he was able to cope with a high-stress position. While no one argued that depression and heavy drinking were irrelevant in making the promotional decision, some respondents said this particular situation was not pertinent because of the length of time elapsed since it occurred, and Spicer's exemplary record during that period.

Only 13 respondents believe that Archer's policy with respect to known health complaints (5 percent) should be to exclude them in making any assignments or promotions. Fifty participants (20 percent) would not allow such incidents to be a factor if they occurred more than three years ago. Nearly three-fourths of the sample (74 percent) would consider any health problems that were performance related.

Table 2: Factors That Most Influenced Responses

Consideration	*Total Points**
Employee's performance record	530
General principles of fairness	391
Relevance of "depression" to job requirements	231
Employee rights	148
Need to maintain confidentiality of EAP records	111
Effect of decision on morale of other employees	45

**Participants were asked to rank in order (1, 2, 3) the top three considerations that most influenced their thinking in deciding how to handle the problem. Three points were awarded for a (1), two for a (2), and one for a (3). The individual factors were then ranked in importance according to the total number of points.*

The Case for Discussing the Depression Incident with Spicer

Participant comments supporting discussion of the incident with Spicer sought to balance company and employee interests. The CEO of a Canadian financial organization stated this view succinctly: "The question of fairness applies to both the company and the employee. The company wants performance, but it does not want to force the employee into a position that will cause recurrence of the former problem."

Many participants who argued in favor of discussion with Spicer did so out of concern for his welfare. Typical of this group was the executive director of a Mexican manufacturing firm, who argued that "If I offer Spicer a job that will 'break' him, I am responsible. Spicer is a whole person and his integrity takes precedence over a promotion." The personnel director of a U.S. manufacturer echoed this view: "It would be unfair for a candidate not to seriously consider the potential harmful effects of increased stress."

The human resource vice president of a U.S. manufacturer said that it was "reasonable" to discuss the subject (without looking at EAP records) because Spicer "brought it up." A Canadian industrialist cautioned that any conversation was limited by Spicer's willingness to cooperate: "The issue cannot be pursued or considered unless Bob Spicer is willing."

Some commentators thought the current relationship between Sampson and Spicer was the key to whether discussion of Spicer's "depression" should be part of the promotion decision. The vice president, employee relations of a U.S. construction company noted that the facts did not state whether the supervisory relationship between Sampson and Spicer had continued up to the time of Spicer's candidacy for the position of vice-president, sales. If it had, and Sampson had observed no problems, the "depression" complaint could be disregarded. If Spicer no longer worked for Sampson, then an inquiry about Spicer's current condition would be necessary.

Other participants assumed an ongoing relationship of trust that would make discussion of Spicer's condition helpful and non-stressful for all concerned. The view of the vice president, audit operations of a U.S. financial service organization summarized this view, which was shared by other respondents: "Since Spicer was able to talk to Sampson, the two men obviously have an ideal open relationship. My choice might be more difficult if there was a lower level of trust in the prior relationship."

The Case Against Discussion With Spicer

Those who did not favor discussion of the "depression" incident held this view because of Spicer's exemplary performance record and the length of time that had elapsed since the incident occurred. Nonetheless, they cautioned that although the ethically appropriate approach would be to avoid consideration or discussion of Spicer's 1985 "depression" episode, the exclusion of known facts from the decision-making process would be very difficult. The manager, organizational development, of a U.S. bank summed up the quandary experienced by this group: "A responsible CEO would have a difficult time not considering health problems that affect performance; but ethically, performance should be the only issue."

The vice president, human resources, of a U.S. manufacturer also noted that it was hard for the ultimate decision-maker to ignore a problem of which he was aware, but this commentator suggested another ground for exclusion: "The bright side of this is the fact that Spicer brought the problem forward and corrected it."

The most common rationale for exclusion was that debilitating alcoholism or depression could not have gone unnoticed. The general counsel and secretary of a U.S. manufacturer said, "serious alcoholism or depression would have affected performance after 1985." A British communications company quality representative agreed: "The passage of time and performance are the key issues."

The Confidentiality of EAP Records: a Collateral Concern

Regardless of whether they thought that a discussion of Spicer's "depression" problems should or should not take place, many participants commented on the importance of limiting the investigation to conversations with Spicer. They felt that, if the company had to choose between maintaining the confidentiality of the EAP records and having additional information about Spicer, EAP confidentiality was the paramount interest. Typical of this view was the comment of the vice president, human resources, planning, and development, of a Canadian bank: "One would expect Sampson to know Spicer well enough to be able to assess his current suitability for the job. In any event, confidentiality of EAP records must be absolute, and seen by all employees to be so." A human resource planner for a U.S. utility agreed: "If EAP files are 'open' and used, their credibility and utilization would decrease."

Case Two: Accommodating a Local Distributor

Dagonet, a diversified manufacturer, is undertaking a major effort to introduce its products in Latin American markets. The company has been asked by several potential distributors to overbill and remit the differences to their company's accounts in Switzerland and the Cayman Islands. The practice is customary in these countries because local taxes are confiscatory and the local exchange rates make it very difficult for local distributors to achieve profitable results. Dagonet has received similar requests in the past from U.S. and European firms and has always refused. Under the circumstances:

Table 3: Case Two Responses

	Number	*Percent of Responses*
1. Dagonet should (check one):		
Deny the request because what is unethical in one country cannot be ethical in another.	224	90%
Accede to the request because it does not violate the local distributors' standard business practices.	25	10
2. In making its decision, Dagonet (check one):		
Is confronting ethical as well as business considerations.	233	94
Can resolve the issue by limiting discussion to accepted local business practices.	16	6
3. With respect to ethical considerations in distributor relations, Dagonet should (check one):		
Have one policy worldwide.	196	82
Allow local subsidiaries to formulate policy based on regional customs and practices.	44	18

Case Two: Discussion

There was widespread agreement (90 percent) that the distributors' request should be denied and that Dagonet confronted ethical as well as business issues in making this decision (94 percent). Participants were somewhat less likely (82 percent) to agree that Dagonet should have one policy worldwide (see Table 3).

There was less consensus on reasons for not cooperating with the distributor. U.S., European, and Canadian participants ranked "the company's well-established policy" first among the reasons for the decision, but this consideration did not receive the wide support enjoyed by the leading rationale in the other two cases. Rather than focusing on what the company should actually do in this situation (most said that the company should not overbill), the major debate for the participants was over how flexible the firm should be in the application of its policies in diverse countries and cultures.

The second most cited factor — "integrity and morale of company employees" — was somewhat less popular with Canadian respondents for whom it was much more narrowly preferred over "profitability and sound business practices" for the number two position.

Finally, Canadian and European participants did not rank "U.S. view of ethical business practices" among the top three rationales. Both groups chose "profitability and sound business practices" as the third most often cited reason for their decision. This divergence of opinion from U.S. respondents may be due to a problem with the text of the question. Dagonet was a U.S. company and the intent was to determine whether corporate headquarters should take the position that its own country's ethical standards (in this case, the U.S.) should be controlling in other parts of the world. Evidently that point was not clear. One U.K. commentator noted the confusion: "Does this choice mean that the U.S. view should be a major factor in all companies?" (see Table 4).

Table 4: Factors That Most Influenced Responses

Consideration	*Total Points**
The company's well established policy	438
Integrity and morale of company employees	333
U.S. view of ethical business practices	250
Fairness to all distributors with which the company does business	208
Profitability and sound business practices	159
Local custom as to ethical business practices	89

**Participants were asked to rank in order (1, 2, 3) the top three considerations that most influenced their thinking in deciding how to handle the problem. Three points were awarded for a (1), two for a (2), and one for a (3). The individual factors were then ranked in importance according to the total number of points.*

The Case for Defining Core Beliefs

Many participants said that Dagonet should be respectful of local customs and practices but that it was important for decision makers to be aware of the company's core principles and to be certain that no action taken contradicts these fundamental beliefs. The general counsel of a U.S. food company stressed the importance of limiting acquiescence to local practices to situations where the company did not violate this rule: "Local customs and practices should be considered, but not if the action would be in conflict with basic company beliefs. Dagonet's leadership will have to live with this decision." A senior European human resource manager went further. Within the limitations of its well-defined policy, the company should make every effort to agree to terms proposed by potential customers: "Ethical standards do vary from one country to another and companies should accommodate those variations provided they do not violate internal standards."

How should a company choose, if it must, between adherence to its core principles and flexibility and tolerance in dealing with local custom and practices? A U.S. manufacturer's government-business affairs counsel said that the choice must always favor the organization's internal moral compass: "A company should be consistent, its manager should not rely on 'situation ethics'." In fact, as the general counsel of a U.S. bank noted, "without trying to pass judgment on others, ethics decisions must be based on the company's standards."

Limitations on the Worldwide Application of Company Standards

Participants from all three sample groups warned that Dagonet could not expect acceptance of its principles everywhere that it did business. A human resource planner with a U.S. utility cautioned that "a 'one size fits all' policy would not be very practical and seems very unrealistic if the firm expects to participate in this market." This view was echoed by responses from both Europe and Canada. The director, professional practice, of a European-based business service organization said that "it is arrogant to suggest home ethics should override (are superior to) local ethics in all cases." The CEO of a Canadian utility concurred: "I'm not sure we can force our view of right and wrong on the whole world."

The vice president of a U.S. market research firm said that discussion of this kind of problem should distinguish between whether the local distributors were negotiating with the parent company or its local subsidiary. If it is the subsidiary that is involved, "multinationals must play by local rules provided local rules do not migrate home." The quality representative of a U.K. telecommunications company suggested a two-step analysis for defining acceptable conduct for subsidiaries faced with this problem: "(1) is the practice

universal in this particular country; and (2) can the practice in question be contained within that country?"

Finally, the vice president, human resources of a U.S. bank was not alone in observing how easy it is to elect a highly principled alternative in a case study: "I have no overseas experience. I might be less high-minded if I had."

Case Three: Should "Questionable" Disbursements Be Investigated?

Lily Bart's mentor, Lawrence Selden, was promoted and Bart assumed his post as vice president of the general services division of Newland, Inc. Bart continues to report to Selden. In familiarizing herself with her new responsibilities, Bart discovers questionable disbursements for travel and entertainment expenses. The general counsel tells Bart that there has been no illegal conduct and that both Selden and his predecessor routinely approved such reimbursements despite their apparent violation of the company's ethics code. Under these circumstances:

Table 5: Case Three Responses*

	Number	*Percent of Responses*
1. Bart should (check one):		
Launch a formal investigation of all practices to determine real or potential abuses.	61	25%
Issue more detailed policies and enforce them with respect to future conduct.	183	74
Do nothing. The practices are legal and customary.	4	2
2. In making this decision, Bart (check one):		
Is confronting ethical as well as legal and business considerations.	199	80
Can resolve the issue by limiting discussion to legal and business considerations.	31	12
Is encountering a typical management problem in trying to establish her authority over a new department.	20	8
3. The general counsel should (check one):		
Only object to employee conduct that exposes the company to legal liability.	22	9
Object to employee conduct that violates the company's policies and ethics code.	224	91

** Because of rounding percentages do not always add up to 100.*

Case Three: Discussion

Although the general counsel affirmed that the "questionable" disbursements were "legal," and both Selden and his predecessor had routinely approved such reimbursements, only four respondents (all from U.S. companies) thought that Bart should do nothing. Nearly three-fourths (74 percent) of the sample recommended that Bart "issue more detailed policies and enforce them with respect to future conduct." European and Canadian participants were somewhat more likely to favor a formal investigation.

Eighty percent of the respondents thought that this situation confronted Bart with ethical as well as business and legal considerations. The remainder was divided between those who did not think the problem had ethical dimensions (12 percent) and those who viewed the matter as a "typical management problem in trying to establish authority over a new department (8 percent)."

Participants were nearly unanimous (91 percent) in the view that the general counsel had an obligation to object to conduct that may violate company policy or ethics code. Determining the appropriate role for the general counsel provoked considerable comment as to how involved the company's chief legal officer should have been in past practices and in achieving compliance with any future regulations. The endorsement of general counsel involvement in ethics compliance activity was equally widespread in Europe, where questionnaire responses indicate they are not as likely as their U.S. or Canadian counterparts to be involved in code drafting (see Table 5).

In giving reasons for their choices, participants showed a marked preference for high principle tempered by pragmatism. The maintenance of "managerial integrity" received the highest approval level of any decision-making consideration offered in the three case studies. Those choices that focused on Bart's survival (loyalty to Selden, avoidance of negative impact on her own career) got the lowest number of points of any proposed rationale within the three case studies. Although self-interest was given a low priority in making the decision, pragmatism (actual chance of improving employee behavior) was acknowledged to be important and finished third (see Table 6).

The Case for More Detailed Policies

Comments that favored more detailed policies for application of ethical principles expressed general concerns with fairness and due process. New regulations were also seen as the most practical and effective way of achieving improvement in compliance with Newland Inc.'s ethics code.

The general counsel of a U.S. pharmaceutical company addressed the due process and fairness issues:

Table 6: Factors that Most Influenced Responses

Consideration	*Total Points**
Maintaining a high level of managerial integrity	653
Fairness and equity for company employees	371
Pragmatism (actual chance of improving employee behavior)	187
Avoiding conflicts of interest	133
Loyalty to a manager who has done nothing wrong and has advanced Bart's career	30
Avoidance of negative impact on Bart's career	22

**Participants were asked to rank in order (1, 2, 3) the top three considerations that most influenced their thinking in deciding how to handle the problem. Three points were awarded for a (1), two for a (2), and one for a (3). The individual factors were then ranked in importance according to the total number of points.*

"Since the expenses are 'questionable' that suggests that they are subject to question and not obvious, outright wrongs. There is an element of judgment involved. In such an instance, I would correct the problem going forward, as well as letting Selden know that he should keep a closer watch in this area."

Others favored new and more detailed regulations. Past infractions are hard to prove, and efforts to do so could be harmful to employee morale. The senior economist of a U.S. bank spoke for this group: "The travel and expense abuses are 'apparent' — but not facts. Proving that consistent abuse occurred appears difficult and could be disruptive. If a discreet, company-wide audit of such abuses is not feasible, then the company should rewrite the policy and include stricter enforcement provisions."

The manager of corporate concerns of a U.S. utility favored an investigation as well as new guidelines, and suggested it would be difficult to formulate changes in policy without a low-key inquiry: "Bart should initially contact Selden; they should meet and discuss what she has found and her view of the situation. Historical errors should be corrected to the extent that they can be reasonably identified. The intent should be to establish a new practice, not to search for the guilty."

The director of a U.S. manufacturer provided an agenda for the Bart-Selden meeting: "Bart and Selden should discuss why Selden thinks that such expenses are legitimate and they should try to resolve the problem at this level. It would be preferable for Selden to be the one to investigate and to issue new and more restrictive policies. If Selden is obviously wrong and unyielding, then Bart must decide whether to go over Selden's head and risk her career."

The vice president of a market research firm proposed a formula to help Bart determine whether she should "go over Selden's head": "Are Selden's exceptions a pattern of behavior or occasional, pragmatic exceptions? If there is evidence of a pattern of contempt for policy then Bart and the general counsel must report the problem to senior management."

Despite the widespread sentiment favoring new regulations and stricter future compliance efforts, some comments suggested skepticism that this action would solve the problem. The executive vice president and general auditor of a U.S. bank addressed these concerns: "While I think that issuing more detailed policies and enforcing them with respect to future conduct is the pragmatic choice, I am not entirely comfortable with it. It does, however, balance pragmatism against a stiff-necked response to the situation."

The Case for a Formal Investigation

A larger percentage of non-U.S. respondents favored some sort of investigation and most of the comments supporting this approach came from European or Canadian participants. The vice president, human resources, planning and development of a Canadian bank recommended an inquiry as to the fair way to handle the problem: "Until results of an investigation are available, the disbursements are only 'questionable' and any violation of the company's ethics code is only 'apparent'. An investigation is needed to either solidly establish wrong-doing or to clear Selden's name."

Other commentators suggested the investigation need not be formal. The head of corporate affairs of a European consumer products company said that "'formal investigation' could mean many things. The aim is to find out what was happening — and by whom — without the investigation itself becoming a cause célèbre. Action against individuals would depend on the outcome of this inquiry. Since the vice president approved these disbursements, sanctions would probably be limited to future behavior."

The director, external affairs of a European manufacturer agreed: The option to 'launch a formal investigation' sounds terribly threatening and vindictive. Bart should move ahead on a low-key basis by referring the situation to those in the organization who are responsible for dealing with such irregularities."

Bart's Difficult Position

Many comments focused on Bart's sensitive situation and noted that she could not address the problem without taking her own future into account. The vice president, human resources of a U.S. bank warned that "unfortunately the junior player bears all the risk. A big flap will only result in Bart being the loser. If I were

Bart, I'd look for a new mentor and probably a new job. Inevitably Selden will find out about the questions." The vice president, personnel of a U.S. manufacturer agreed: "New policies will probably not end the matter. I assume that Bart has 'clean hands'. She should be prepared to defend her actions and accept an interruption in her career."

To avoid a damaging break with Selden and any possible misunderstanding about the questionable reimbursements, the general counsel of a U.S. manufacturer suggested that she let Selden know "what she's doing and why. She might find out that there is an important business reason for the disbursements." The general counsel of a U.S. technology company recommended that instead of Selden or the general counsel, Bart should seek the advice of a third party: "This is a tough one for Bart. She should not have to fall on her sword the first day out. Her best course of action, although not really suggested here, should be to seek out another 'ear' other than the General Counsel, to discuss the situation and the best course of action."

The Role of the General Counsel

Many participants addressed the general counsel's role and conduct in this case. Although 91 percent of the respondents said that the general counsel should "object to employee conduct that violates the company's policies and ethics codes" a number of participants noted that the primary job of the general counsel is to give legal advice. Typical of this approach was the view expressed by the ethics officer of a U.S. manufacturer: "The general counsel should be charged with providing legal advice to senior management, who in turn has the responsibility to weigh all factors — ethical, business, and legal to arrive at appropriate decisions. I adamantly believe that ethics committees should be formed to avoid the general counsel having to weigh business ethics issues in addition to questions of legal integrity." The vice president and tax counsel of a U.S. pharmaceutical company agreed: "It is up to management to enforce policies and ethics — not the general counsel."

The vice president, human resources of a U.S. manufacturer disagreed and came closer to expressing the prevailing view: "The general counsel certainly must be concerned with legal liability, but I believe that the responsibilities of this position extend to company policies and ethics in general."

Two commentators who serve as general counsels for U.S. manufacturers went a good deal further than saying that the general counsel had responsibility for violations of company policy and compliance with its ethics code. They believe the counsel bore considerable responsibility for the infractions that Bart discovered. The first of these participants asked, "What kind of a spineless toady did the company hire as general counsel?" The second rendered an even more severe assessment: "The general counsel is ill informed; these payments are probably illegal if serious enough to be questionable. A general counsel who aids clear violations of the company's code of ethics should be removed immediately."

Exhibits

1. Compliance Code: The Provident Mutual Organization
2. Credo: United Technologies Corporation
3. Mission Statement: Vulcan Materials Company
4. Environmental Policy: Waste Management, Inc.
5. Environmental and Safety Operating Principles: Neste OY
6. Guiding Principles: The Great-West Life Assurance Company
7. Ethics Training Materials: Armstrong World Industries, Inc.
8. Setting and Meeting Ethics Program Objectives: Westinghouse Electric Corporation

The Provident Mutual Organization

CODE OF CONDUCT

General Policy

The Provident Mutual organization is committed to achieving high standards of business and personal ethics for itself and its personnel. Through performance in accordance with these standards, the Organization and all its employees will merit and enjoy the respect of the public, the business community, policyholders, customers, and regulatory authorities.

It is the personal responsibility of all employees to acquaint themselves with the legal and policy standards and restrictions applicable to their assigned duties and responsibilities, and to conduct themselves accordingly. Over and above the strictly legal aspects involved, all company personnel are expected to observe high standards of business and personal ethics in the discharge of their assigned responsibilities.

Employee Conduct

Each member of the Organization must avoid any action, relationship or situation which could jeopardize or impair the confidence or respect in which the Organization is held by its customers and the general public, or which appears to be contrary to the interests of Provident Mutual or its policyholders.

Employees shall comply fully with all applicable statutes and regulations. Willful and knowing disregard of the law may result in severe penalties to the Organization. In its many business activities, Provident Mutual and its affiliated companies engage in vigorous, fair and ethical competition. Discussions and agreements with competitors concerning pricing or other competitive policies and practices are strictly prohibited.

Conflict of Interest

Provident Mutual annually circulates a policy statement of Conflicts of Interest. The basic policy states that every employee must avoid any interest that conflicts with the interests of Provident Mutual. The document provides detailed examples and explanations of situations and types of transactions which can give rise to conflicts of interest. In order to implement the conflict of interest policy of Provident Mutual, all officers and other affected persons are required to submit annually a completed disclosure statement to the Chairman and Chief Executive Officer of Provident Mutual. Each affiliated company has a similar requirement.

Gifts to or by Employees

Employees may not give or receive anything of more than token value to or from any individual or organization with whom Provident Mutual or its affiliates does business, or who is seeking to do business with Provident Mutual or its affiliates. "Token" is defined as having a value of $50 or less.

Certain business courtesies, such as payment for a lunch or dinner in connection with a business meeting, normally would not be a gift within the context of this policy. However, such activity shall be limited in frequency. Employees shall endeavor to avoid any situation where a gift or activity might appear to influence business judgment or relationships. Any question as to whether a gift might appear to be improper or questionable shall be addressed in writing, with a statement of all relevant facts, to the office of the General Counsel.

Political Contributions

No funds or assets of the Company shall be used for federal, state or local political campaign contributions. These prohibitions cover not only direct contributions but also indirect assistance or support of candidates or political parties through purchase of tickets to special dinners or other fund raising events or the furnishing of any other goods, services or equipment to political parties or committees.

No funds or assets of the Company shall be used directly or indirectly for political contributions outside the United States, even where permitted by applicable law, without the prior written approval of the Chief Executive Officer or General Counsel.

The above prohibitions apply only to the direct or indirect use of corporate funds or assets for political purposes and are, of course, not intended to discourage employees from making personal contributions to the candidates, parties or

(continued on next page)

committees of their choice, through the Company's Political Action Committee. Under no circumstances shall employees be reimbursed in any way for personal contributions.

Confidential Information and Insider Trading

Employees frequently have access to confidential information concerning the Organization's business and the businesses of present and prospective customers, policyholders and other employees. Safeguarding confidential information is essential to the conduct of our business. Caution and discretion must be exercised in the use of such information, which should be shared only with those who have a clear and legitimate need and right to know.

No employee shall disclose confidential information of any type, to anyone, except persons within the employee's company who need to know. Information regarding a customer may not be released to third parties, government, or other organizations, without the consent of the customer unless required by law.

Any requests for information arising through a legal process (e.g., subpoena or court order) must first be referred to the office of the General Counsel before the release of information and before the client is contacted.

Selling or acquiring stocks, securities or other investments, on the basis of non public information is prohibited. Securities include stocks, bonds, notes, debentures, or any other interests, instruments, documents or rights which represent securities. Questions concerning the definition of non public information or a security shall be referred to the office of the General Counsel before any transactions are undertaken.

Service and Consumer Concerns

The foundation of the Organization is to provide high quality service to our existing and prospective customers. Each company endeavors to give prompt, courteous and accurate response to inquiries and complaints received from customers. When appropriate adjustments are warranted, employees will make them promptly and courteously. Equally important, we seek to add or improve policies, procedures and products that contribute to customer satisfaction.

Integrity of Records and Compliance with Accounting Procedures

Accuracy and reliability in the preparation of all business records is mandated by law. It is of critical importance to the corporate decision-making process and to the proper discharge of Provident Mutual's financial, legal and reporting obligations. All business records, expense accounts, vouchers, bills, payroll and service records and other reports are to be prepared with care and honesty. False or misleading entries are not permitted in the books and records of Provident Mutual or any affiliated company. All corporate funds and assets are to be recorded in accordance with applicable corporate procedures. Compliance with accounting procedures and internal control procedures is required at all times. It is the responsibility of all employees to insure that both the letter and the spirit of corporate accounting and internal control procedures are strictly adhered to at all times. They should advise the responsible person in their department of any shortcomings they observe in such procedures.

Administration of the Code

Employees are encouraged to seek guidance regarding application or interpretation of this Code of Conduct and are expected to cooperate fully in any investigation of a potential violation. The statements set forth in this Code of Conduct are intended as guidelines for employees. Routine questions of interpretation regarding the Code shall be directed to the employee's supervisory officer, and if necessary, referred to the office of the General Counsel. If any employee believes the code may have been violated, the matter shall promptly be reported to the Director of Internal Audit. Violations of the Code of Conduct may be disciplined by the Organization, up to and including dismissal. However, the Code of Conduct does not set forth all of the reasons or situations in which employees may be disciplined.

The Code of Conduct is not an employment contract, and the Organization may at any time modify the provisions of this Code of Conduct as it deems appropriate.

Corporate Principles

United Technologies is committed to the highest standards of ethics and business conduct. This encompasses our relationships with our customers, our suppliers, our shareholders, our competitors, the communities in which we operate, and with each other as employees at every organizational level. These commitments and the responsibilities they entail are summarized here:

Our Customers

Our primary responsibility is to those who use our products and services. We are committed to providing high quality and value, fair prices and honest transactions. We will deal both lawfully and ethically with all our customers.

Our Employees

We are committed to treating one another fairly, and to maintaining employment practices based on equal opportunity for all employees. We will respect each other's privacy and treat each other with dignity and respect irrespective of age, race, color, sex, religion, or nationality. We are committed to providing safe and healthy working conditions and an atmosphere of open communication for all our employees.

Our Suppliers

We are committed to dealing fairly with our suppliers. We will emphasize fair competition, without discrimination or deception, in a manner consistent with long-lasting business relationships.

Our Shareowners

We are committed to providing a superior return to our shareowners, and to protecting and improving the value of their investment through the prudent utilization of corporate resources and by observing the highest standards of legal and ethical conduct in all our business dealings.

Our Competitors

We are committed to competing vigorously and fairly for business, and to basing our efforts solely on the merits of our competitive offerings.

Our Communities

We are committed to being a responsible corporate citizen of the worldwide communities in which we reside. We will abide by all national and local laws, and we will strive to improve the well-being of our communities through the encouragement of employee participation in civic affairs and through corporate philanthropy.

Mission Statement: Vulcan Materials Company

MISSION

VULCAN MATERIALS COMPANY is an international producer of industrial materials and commodities that are essential to the standard of living of advanced and developing societies.

OUR mission is to provide quality products and services that consistently meet our customers' expectations; to be responsible stewards with respect to the safety and environmental impact of our operations and products; and to earn superior returns for our shareholders.

WE recognize that success in all of our activities is related directly to the talents, dedication and performance of our employees throughout the Company.

GUIDING PRINCIPLES

INTEGRITY: We will work constantly to earn the respect and trust of all parties we interact with by acting fairly and honorably. We will observe high ethical standards and obey all laws and regulations.

EXCELLENCE: We are committed to excellence in all of our activities. We value innovation. We intend to maintain a position of leadership in each of our industries.

PEOPLE: We will maintain a high respect for people—for their dignity, their talents and their interests.

COMMITMENTS

Following are our most important commitments. They embody goals that we strive to attain and values that guide our conduct.

WE will strive to be the low cost producer in each of our industries and to be the standard-setter with regard to quality, service and technical support.

WE will respect the dignity of each of our employees and deal with them fairly. We will strive to maintain an environment that encourages them to develop their talents, exercise creativity and achieve superior performance. We will keep our compensation programs at fair and competitive levels. Employment and advancement will be based on qualifications, performance and organizational needs. We will maintain a firm commitment to employee health and safety.

WE will provide technical and educational assistance so that customers may use our products in an efficient, safe and environmentally proper manner. We will maintain a steadfast commitment to minimize any adverse impacts our activities have on the environments in which we operate. We will comply with all environmental laws and regulations.

WE will compete vigorously in each of our industries while maintaining a strict regard for compliance in all respects with the antitrust laws.

WE will be a good corporate citizen in each community in which we operate. We will support and take an active part in public and charitable projects.

WE will maintain a strong commitment to divisional autonomy consistent with high accountability and performance. Corporate and group staffs will be kept lean and highly competent so that their contributions will add value to divisional results without restricting the initiative and accountability of division managers. Corporate, group and divisional relationships will be marked by goodwill, teamwork and open communications.

WE are determined to achieve superior rates of return on the capital our shareholders have entrusted to us. We intend to rank in the top quartile of U.S. industrial companies as measured by profitability and growth in earnings. We will aggressively pursue profitable growth opportunities through extension of existing product lines, addition of new products, development of greenfield sites and business acquisitions.

Waste Management, Inc.

Environmental Policy

On March 7, 1990, the Board of Directors of Waste Management, Inc. approved an expanded environmental policy for the Company.

The policy was developed and recommended by the Waste Management Executive Environmental Committee. In developing the policy, the Committee gave careful consideration to the views of environmental groups

Waste Management, Inc. is committed to protecting and enhancing the environment and to updating its practices in light of advances in technology and new understandings in health and environmental science.

Prevention of pollution and enhancement of the environment are the fundamental premises of the Company's business. We believe that all corporations have a responsibility to conduct their business as responsible stewards of the environment and to seek profits only through activities that leave the Earth healthy and safe. We believe that the Company has a responsibility not to compromise the ability of future generations to sustain their needs.

The principles of this policy are applicable to the Company throughout the world. The Company will take demonstrable actions on a continuing basis in furtherance of the principles.

Principles

Environmental Protection and Enhancement

1. The Company is committed to improving the environment through the services that we offer and to providing our services in a manner demonstrably protective of human health and the environment, even if not required by law. We will minimize and strive not to allow any releases to the atmosphere, land, or water in amounts that may harm human health and the environment. We will train employees to enhance understanding of environmental policies and to promote excellence in job performance on all environmental matters.

Waste Reduction, Recycling, Treatment and Disposal

2. The Company will work to minimize the volume and toxicity of waste generated by us and others. We will operate internal recycling programs. We will vigorously pursue opportunities to recycle waste before other management practices are applied. The Company will use and provide environmentally safe treatment and disposal services for waste that is not eliminated at the source or recycled.

Biodiversity

3. The Company is committed to the conservation of nature. We will implement a policy of "no net loss" of wetlands or other biological diversity on the Company's property.

Sustainable use of natural resources

4. The Company will use renewable natural resources, such as water, soils and forests, in a sustainable manner and will offer services to make degraded resources once again usable. We will conserve nonrenewable natural resources through efficient use and careful planning.

Wise Use of Energy

5. The Company will make every reasonable effort to use environmentally safe and sustainable energy sources to meet our needs. We will seek opportunities to improve energy efficiency and conservation in our operations.

Compliance

6. The Company is committed to comply with all legal requirements and to implement programs and procedures to ensure compliance. These efforts will include training and testing of employees, rewarding employees who excel in compliance, and disciplining employees who violate legal requirements.

Waste Management, Inc. Environmental Policy

Principles continued

Risk Reduction

7. The Company will operate in a manner designed to minimize environmental, health or safety hazards. We will minimize risk and protect our employees and others in the vicinity of our operations by employing safe technologies and operating procedures and by being prepared for emergencies. The Company will make available to our employees and to the public information related to any of our operations that we believe cause environmental harm or pose health or safety hazards. The Company will encourage employees to report any condition that creates a danger to the environment or poses health or safety hazards and will provide confidential means for them to do so.

Damage Compensation

8. The Company will take responsibility for any harm we cause to the environment and will make every reasonable effort to remedy the damage caused to people or ecosystems.

Research and Development

9. The Company will research, develop and implement technologies for integrated waste management.

Public Policy and Public Education

10. The Company will provide information to and will assist the public in understanding the environmental impacts of our activities. We will conduct public tours of facilities, consistent with safety requirements, and will work with communities near our facilities to encourage dialogue and exchange of information on facility activities.

11. The Company will support and participate in development of public policy and in educational initiatives that will protect human health and improve the environment. We will seek cooperation on this work with government, environmental groups, schools, universities, and other public organizations.

Participation in Environmental Organizations

12. The Company will encourage its employees to participate in and to support the work of environmental organizations, and we will provide support to environmental organizations for the advancement of environmental protection.

Environmental Policy Assessment

13. The Board of Directors of the Company will evaluate and will address the environmental implications of its decisions. The Executive Environmental Committee of the Company will report directly to the Chief Executive Officer of the Company and will monitor and report upon implementation of this policy and other environmental matters. The Company will commit the resources needed to implement these principles.

Annual Environmental Report

14. The Company will prepare and make public an annual report on its environmental activities. The report will include a self-evaluation of the Company's implementation of these principles, including an assessment of the Company's performance in complying with all applicable environmental laws and regulations throughout its worldwide operations.

Environmental and Safety Operating Principles: Neste OY

The last ten years have been a period of major change at Neste. Our operations have expanded both within Finland and overseas, through acquisitions and the construction of new production plants. Neste is Finland's largest industrial company, and in areas such as polyolefins we are now one of the six largest producers worldwide.

Nearly all of our plants involve operations which call for particular attention to be given to environmental impact and safety risks. Neste is also a major shipowner, with a reputation for a fleet designed with the special needs of shipping in arctic waters in mind. Significant environmental and safety risks are associated with transporting crude oil, petroleum products, gases, and chemicals. Similar risks are also linked with the use of many products.

Neste has long been aware of the fact that, to succeed, the Corporation must be willing to commit its resources and investments to building up its technological expertise and research capability. This principle is seen as equally important in the environmental protection area. Numerous examples of Neste's commitment to this date back as far as the early 1970s.

Society's and industry's knowledge about environmental issues is constantly growing. We have learnt, for instance, that man's burden on the environment is larger, and the environment's ability to sustain this burden smaller, than we previously imagined. For Neste, this means continually evaluating all of our activities and introducing new environmental standards. Identifying workable solutions can be difficult, as balancing the needs of production processes, energy consumption, emissions, and product properties to yield the best result in environmental terms can sometimes be far from easy.

We believe that a serious commitment to environmental protection, health, and safety represents a meaningful investment in the future, and is the only way to earn the trust of society and the users of our products. Reflecting this, we agreed a common set of environmental protection and safety standards to be observed at all Neste plants back in 1984, and a package of communications principles in 1989.

They can be crystallized as follows:

Holistic thinking

Our aim is to develop the best possible solutions in terms of the environment, occupational safety, and product user safety. In line with this, we take environmental impact and safety risks into account in decision-making on all our projects.

Responsibility

We are committed to complying with all internal and external regulations, and observing good working practices. Areas of responsibility must be clearly defined at every level within the Neste organization, and written instructions available for all procedures in our day-to-day operations.

An active approach

Environmental impact and risks are the subject of constant study at Neste. The expertise which we build up in these areas is applied throughout our planning, target-setting, and decision-making activities.

Taking the initiative

We follow developments in our fields closely. Our aim is to be one step ahead of what legislation requires in developing new products and applying the latest advances in research.

Openness

We fully accept the right of society and individuals to know. We provide comprehensive information on our activities, and are always ready for dialogue.

Guiding Principles: The Great-West Life Assurance Company

Corporate Mission

We believe that most people need measures of employer-sponsored and individually initiated financial protection and services, quite aside from benefits provided by government, to assure their financial well-being and the financial well-being of their families and the businesses with which they are associated.

Our mission is, therefore, to achieve excellence in providing financial products and services for people, and to do so in a responsible manner.

We will accomplish this mission through creative anticipation of and response to the changing needs and preferences of our clients.

Corporate Objective

Our objective is to achieve increasing acceptance of our products and services, measured by long-term real growth in our assets, premium income and fees for services.

An equally important allied objective is to earn operating income sufficient to provide:

- the best possible net cost for clients
- a competitive return on the equity invested in the business and real growth in net income attributable to shareholders.

Principles of General Management

General management will operate the company with contemporary and enlightened principles and processes.

Major emphasis will be placed on the co-ordination of operations and optimal employment of resources to achieve the company's Mission and Objective.

Great-West Life's management recognizes that to prosper, the company must serve its clients, staff members and sales representatives, shareholders and the community at large, with integrity and according to the highest standards of conduct.

Principles of Personnel Management

We will [illegible] and respect for the dignity of the individual. We will strive to attract and retain superior people. We will build and maintain a high-calibre organization through an open and participative style of management that encourages teamwork at all levels of the company. We will give staff members and sales personnel every opportunity to make the most of their abilities and reward them according to their contribution to meeting our objectives.

Principles of Marketing Management

We will distribute our products and services in the best interests of our clients first, on distribution systems that are contemporary, innovative and socially responsible.

In this context, we reaffirm our belief that incentive commission systems remain sound and enduring marketing management principles.

We will also use other means of marketing to access markets insufficiently addressed by established systems.

Principles of Investment Management

Our investment policies and procedures will control the quality, terms and rate of return on our investments. We will strive to achieve a consistently superior rate of return to meet our overall financial objectives and obligations to our clients.

This cartoon strip, which presents an illustrative, hypothetical ethics situation in cartoon form, was used by Armstrong World Industries, Inc. in "ethics awareness" seminars conducted for its employees.

THE PRODUCT'S GOOD NAME
JENNY EVANS, MARKETING REP, WAS IN THE SHOWROOM OF ONE OF HER RETAILERS. SHE OVERHEARD A SALESMAN TALKING TO A BUILDER WHO WAS WORKING ON A 100 UNIT APARTMENT COMPLEX.
THIS FLOOR WILL WORK JUST FINE WITH NO SPECIAL SUBFLOOR PREPARATION. NO SHOW THROUGH, NO NAIL POPS, NO PROBLEMS WITH SEASONAL CHANGES.
GREAT, I'LL SIGN THE ORDER FOR THE ENTIRE PROJECT.
AFTER THE BUILDER HAD GONE....
AL, YOU KNOW THAT FLOOR WON'T PERFORM WITHOUT UNDERLAYMENT!
I GUESS I OVERSTATED, BUT I GOT THE ORDER, DIDN'T I?
JENNY TOOK THE PROBLEM TO HER MANAGER.
SURE HE OVER-PROMISED. BUT THERE ARE CASES IN WHICH THE FLOOR WOULD PERFORM WELL OVER THAT SUBFLOOR.
BUT THERE'S A SIGNIFICANT CHANCE THERE'LL BE SERIOUS PROBLEMS.
I UNDERSTAND YOUR CONCERN. BUT YOU WARNED AL, AND HE KNOWS WHAT HE'S DOING. MAYBE WE SHOULD LEAVE HIM ALONE.
JENNY WAS TORN....
HE'S IGNORING THE SERIOUSNESS OF THIS PROBLEM... THOSE UNITS COULD BE A TIME BOMB..

1. **How is Armstrong's reputation affected by a retailer's misrepresentation? How could Armstrong be affected by Jenny taking action? not taking action?**

2. **If you were Jenny, what would you do and why: talk or write again to the retailer? raise your concerns with the Division staff in Lancaster? ignore it?**

1990 PLAN

In 1990, the Ethics Office will develop an Ethics Refresher Agenda that will reinforce to all employees the Corporate Standards of Conduct and the genuine support from top management. The Ethics Program Plan also includes development of a more effective communications program for the article and poster campaigns, for all Westinghouse locations doing business with the Department of Defense.

The Ethics Program for 1990

	J	F	M	A	M	J	J	A	S	O	N	D
Communications												
Articles	△		△		△		△		△		△	
Annual Report		△										
Best Practices Forum						△ Meeting			△ Report			
Training												
As Developed												
Posters		△		△		△		△		△		△
Coordinator Feedback												
Meetings			△						△			
Reports				△			△			△		△
Price Waterhouse				△ 1989 Recommendations				△		△ 1990 Audit		
Employee Feedback Survey					△		△					
Refresher Training												
Module Development												
Reformatted Code						△						
Q/A Booklet								△				
New Video										△		
Annual Reminder Letter											△	
Plan for Annual PIC												△

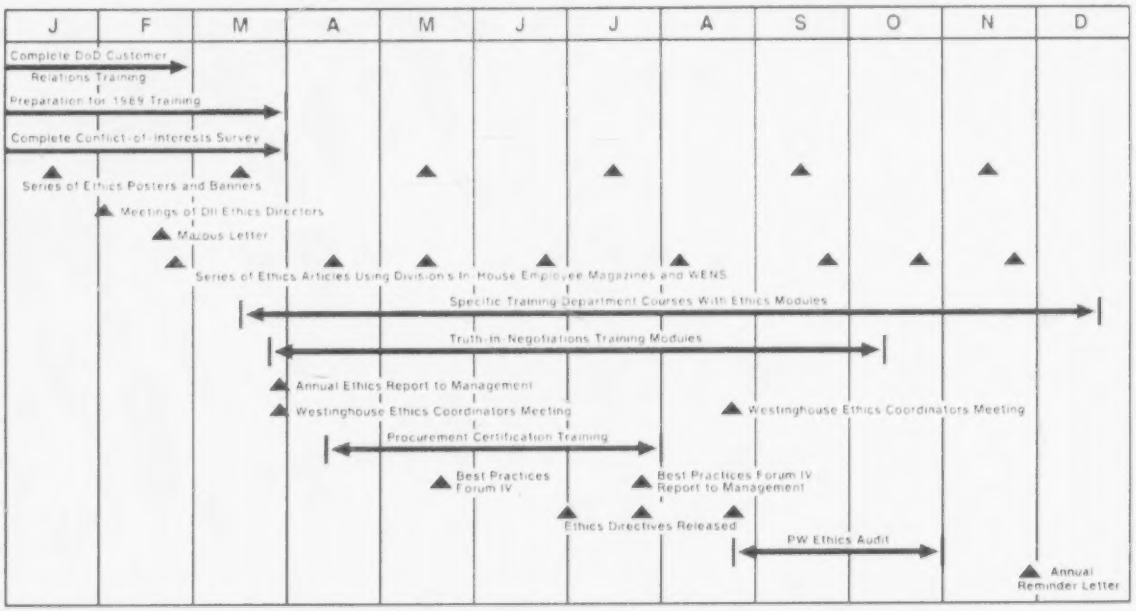
(continued on next page)

1989 ETHICS PROGRAM OBJECTIVES MET

The goals and objectives for each phase and activity of the Ethics Program were successfully met in 1989. As a major defense contractor, Westinghouse Electric Corporation has taken an active role in implementing its Ethics Program in both the spirit and intent of the Defense Industry Initiatives. The Corporation's reputation for quality products and integrity has contributed immensely to its continued success and sustained growth in the complex world of defense contracting.

Westinghouse employees consistently attain this goal by following policies detailed in the Westinghouse Code of Business Ethics and Conduct.

The Ethics Program for 1989



Related Publications

Corporate Stewardship of The Environment, Report No. 982, 1991

Corporate Ethics: Developing New Standards of Accountability, Report No. 980, 1991

Employee Privacy, Report No. 945, 1990

Safeguarding Intellectual Property, Report No. 925, 1989

Corporate Ethics, Report No. 900, 1987

External Challenges to Management Decisions: A Growing International Business Problem, Report No. 808, 1981

The Conference Board
845 Third Avenue
New York, N.Y. 10022